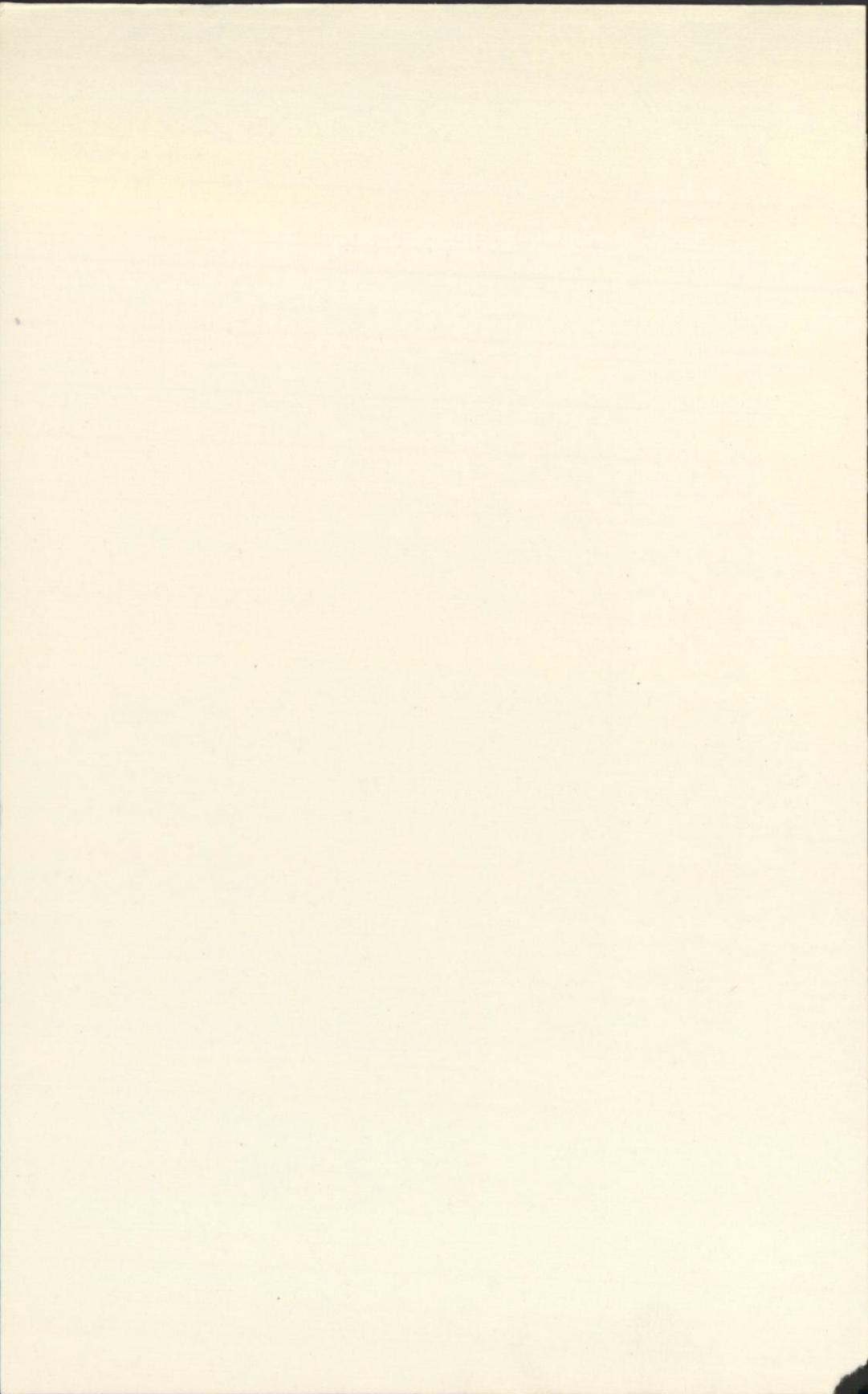


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CORPORATION FILE

HERSHEY

CHOCOLATE CORPORATION

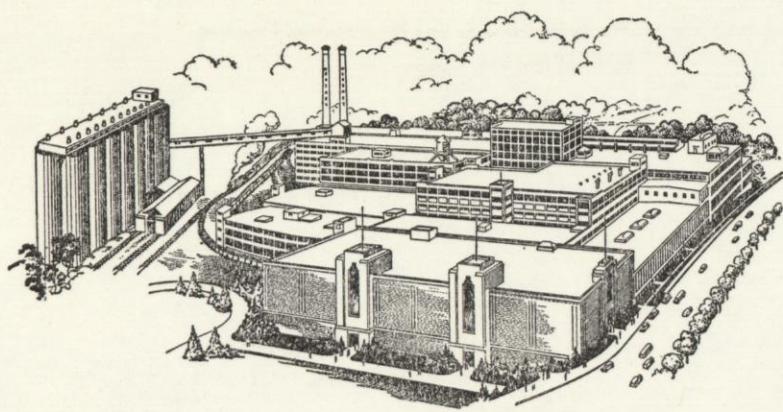
ANNUAL REPORT
DECEMBER 31, 1956



HERSHEY

CHOCOLATE CORPORATION

HERSHEY, PENNSYLVANIA



Executive Offices and Manufacturing Plant

BOARD OF DIRECTORS

J. J. GALLAGHER, <i>Chairman</i>	W. H. RADEBAUGH
S. F. HINKLE	W. E. SCHILLER
L. W. MAJER	J. B. SOLLENBERGER
D. PAUL WITMER	

OFFICERS

J. J. GALLAGHER, <i>Chairman of Board of Directors</i>
S. F. HINKLE, <i>President</i>
L. W. MAJER, <i>Vice President and Secretary</i>
W. E. SCHILLER, <i>Vice President and Treasurer</i>
E. B. LEHMAN, <i>Comptroller</i>

TRANSFER AGENT

CITY BANK FARMERS TRUST COMPANY
NEW YORK

REGISTRAR

GUARANTY TRUST COMPANY
OF NEW YORK

AUDITORS

ARTHUR ANDERSEN & CO.
NEW YORK

To the Stockholders:

It is a pleasure to report to you on your Company's progress in 1956. Earnings for the year were favorable, the Company is in a strong financial position, and its products continue to have excellent consumer acceptance. The results for 1956 are generally attributable to a sustained high volume of production and sales, and to lower costs of cocoa beans. Included in this report are the financial statements for the year 1956 as certified by Arthur Andersen & Co.

Sales in 1956 totaled \$148,677,938, as compared with \$151,648,898 for the preceding year. Approximately one third of the 2% decline in total dollar volume is accounted for by a decrease in sales of cocoa butter. This reduction in cocoa butter sales occurred because of a better balance with respect to the utilization of cocoa beans in the manufacture of the Company's various products. In commenting upon sales we also wish to point out that only a part of the saving in cocoa bean costs is reflected in the net operating results for the year, as the major part was passed on to our customers in the form of lower prices. We are pleased to report that in terms of tonnage or physical units, 1956 sales were ahead of those for 1955.

Net earnings for 1956 amounted to \$12,873,010, as compared with \$10,614,736 for the preceding year; equivalent, after deducting dividends on Preferred Stock, to \$5.17 and \$4.23 a share of Common Stock in the respective years. Dividends paid on Common Stock totaled \$3.00 a share in 1956 as compared with \$2.75 in 1955, and consisted of regular quarterly dividends of \$.50 a share in each year and year-end extras of \$1.00 in 1956 and \$.75 in 1955. The regular dividends of \$2.12½ a share were paid on the Preferred Stock in each year.

There was a sizable increase in the world production of cocoa beans in the current crop year, and consumption has not yet entirely caught up with the increased supply. The result has been a further easing in cocoa bean prices. It is not feasible at this time to predict the

price trend for an extended period as the price level will depend upon future crops and the pressure of world demand.

Working capital at the end of 1956 amounted to \$55,708,658, an increase of \$4,877,023 over 1955. Inventories, which made up 55% of current assets and of which a substantial part is carried on the last-in, first-out (lifo) basis, were almost the same in total amount as at the end of the preceding year. The Company owned \$27,390,694 of U. S. Government short-term securities at December 31, 1956, of which \$13,679,276 has been applied in the accompanying balance sheet against the liability for Federal income taxes.

Research and development continue to receive major emphasis, and we are pleased to report that another new product, HERSEY'S Instant Cocoa Mix, was introduced to the trade in the latter part of the year. This new item is pictured in the enclosed sample of promotional material. As mentioned in previous reports, in addition to the research and development within our organization, we are participating in several cooperative research programs covering various phases of our business. During the year expenditures of \$1,350,000 were made on the continuing program of improving plant and equipment.

We report with deepest sorrow the loss by death of two of our directors. P. A. Staples, Chairman of the Board of Directors and President for the past ten years, and associated with other Hershey interests since 1921, died last July; and P. N. Hershey, whose term of service to the Company spanned a period of over forty years, died at the close of the year. Following Mr. Staples' death, J. J. Gallagher, Director and General Sales Manager, was elected Chairman of the Board and S. F. Hinkle, Director and Plant Manager, was elected President of the Corporation. The Board vacancy created by Mr. Staples' death was filled by the election of J. B. Sollenberger who is President of Hershey Trust Company, the trustee for Milton Hershey School. Other changes included the election of two other directors, L. W. Majer, Secretary, and W. E. Schiller, Treasurer, to the newly created offices of Vice Presidents. E. B. Lehman, formerly Assistant Comptroller, was appointed to the office of Comptroller.

As mentioned in previous reports, great numbers of tourists come to Hershey each year from many parts of the world, the highlight of the visit being a guided tour of the chocolate plant. In 1956 a record number of 170,000 visitors toured the plant and, in addition, many other hundreds of thousands enjoyed the hotel, rose garden, golf courses, and amusement park, which are owned and operated by other Hershey interests. We take this opportunity to suggest to you and to your families and friends a visit to Hershey, and the chocolate plant in which you have part ownership, at any time you are in this vicinity. We also invite you, as stock-holders, to communicate with the management on any phase of the Company's business, with the assurance that your comments are always welcome.

To all the men and women in the Company's organization, whose efforts, skills and loyal support helped to make possible the results attained in 1956, we express grateful appreciation.

By order of the Board of Directors,

J. J. GALLAGHER

Chairman of the Board

S. F. HINKLE

President

February 21, 1957.

HERSHEY CHOCOLATE COMPANY

BALANCE SHEET - December 31, 1957

ASSETS

CURRENT ASSETS:

Cash	\$ 9,090,812
U. S. Government short-term securities, at cost	<u>13,711,418</u> \$22,802,230
Accounts receivable, less reserves of \$471,953	4,989,481
Inventories (cocoa beans and almonds at cost on last-in, first-out basis; remainder at lower of average cost or market)	<u>33,812,619</u>
Total current assets	\$61,604,330

PLANT AND PROPERTY, at cost:

Land	\$ 96,085
Buildings and improvements	13,096,774
Machinery and equipment.....	23,655,329
Construction in progress	<u>193,596</u>
	\$37,041,784
Less—Reserves for depreciation.....	<u>20,600,701</u> 16,441,083
DEFERRED AND PREPAID ITEMS.....	<u>223,591</u>
	<u>\$78,269,004</u>

NOTE: The Preferred Stock is redeemable by the Corporation. During 1957 the price is \$50.75 per share. Upon voluntary liquidation such Preferred Stock is entitled to receive its par value plus accrued dividends. Upon involuntary liquidation, to \$50 per share. Such prices and amounts are (with certain exceptions) conditioned upon compliance with sinking fund provisions which provide for the retirement of an average of 5,075 shares of the Preferred Stock per annum. The Corporation has no other outstanding stock.

TE CORPORATION

CEMBER 31, 1956

LIABILITIES

CURRENT LIABILITIES:

Accounts payable and accrued liabilities	\$ 4,505,074
Dividend payable February 15, 1957, on Series A preferred stock.....	116,069
Reserve for state taxes.....	1,274,529
Reserve for Federal income taxes	\$13,679,276
Less — U. S. Government short-term securities	<u>13,679,276</u>
Total current liabilities	\$ 5,895,672

RESERVE FOR PAST SERVICE COST OF PENSIONS	478,563
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CAPITAL STOCK AND SURPLUS:

Series A 4-1/4% cumulative preferred stock, par value \$50 per share (see note)— Authorized 223,393 shares; out- standing 223,292 shares (in- cluding 5,110 shares in treasury)	\$11,164,600
Common Stock, without par value— Authorized 3,000,000 shares; outstanding 2,399,251 shares	4,200,716
Earned surplus	<u>56,785,945</u>
	\$72,151,261
Deduct - Treasury stock, 5,110 shares Series A preferred, at cost	<u>256,492</u>
	<u>71,894,769</u>
	<u><u>\$78,269,004</u></u>

optional redemption price is \$51.75 per share and the sinking fund redemption entitled to a preferential amount equal to its then applicable optional redemption units are plus accrued dividends. Dividends on, or purchases of, Common Stock provisions requiring the Corporation to have purchased or redeemed a cumulative met such sinking fund requirements through 1957.

HERSHEY CHOCOLATE CORPORATION

STATEMENTS OF PROFIT AND LOSS AND EARNED SURPLUS FOR THE YEAR ENDED DECEMBER 31, 1956

PROFIT AND LOSS

GROSS SALES, LESS DISCOUNTS, RETURNS AND ALLOWANCES.....	\$148,677,938
COST OF GOODS SOLD, SHIPPING, SELLING, ADMINISTRATIVE AND GENERAL EXPENSES.....	<u>119,754,928</u>
	\$ 28,923,010
PROVISION FOR INCOME TAXES:	
Federal income tax	\$15,000,000
Commonwealth of Pennsylvania income tax	<u>1,050,000</u> <u>16,050,000</u>
Net profit for the year	<u>\$ 12,873,010</u>

NOTE: Costs and expenses include provision for depreciation
of plant and equipment in the amount of \$1,213,262.

EARNED SURPLUS

EARNED SURPLUS AT DECEMBER 31, 1955	\$ 51,579,162
ADD -- Net profit for the year 1956	<u>12,873,010</u>
	\$ 64,452,172

DEDUCT:

Dividends—	
On Series A 4-1/4% preferred stock (\$2.12½ per share)	\$ 468,474
On Common stock (\$3.00 per share)	<u>7,197,753</u> <u>7,666,227</u>
EARNED SURPLUS AT DECEMBER 31, 1956	<u>\$ 56,785,945</u>

AUDITORS' CERTIFICATE

**To the Board of Directors and the Stockholders of
Hershey Chocolate Corporation:**

We have examined the balance sheet of Hershey Chocolate Corporation (a Delaware corporation) as of December 31, 1956, and the related statements of profit and loss and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of profit and loss and earned surplus present fairly the financial position of Hershey Chocolate Corporation as of December 31, 1956, and the results of its operations for the year then ended, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR ANDERSEN & CO.

New York, N. Y.,
February 14, 1957.

HERSHEY CHOCOLATE CORPORATION

**EXECUTIVE OFFICES AND MANUFACTURING PLANT
HERSHEY, PENNSYLVANIA**

WAREHOUSES

Atlanta, Ga.	Little Rock, Ark.
Billings, Mont.	Los Angeles, Cal.
Cambridge, Mass.	Memphis, Tenn.
Chicago, Ill.	Milwaukee, Wis.
Cincinnati, Ohio	New Orleans, La.
Dallas, Texas	New York, N. Y.
Davenport, Iowa	Oklahoma City, Okla.
Denver, Colo.	Omaha, Neb.
Detroit, Mich.	Pittsburgh, Pa.
East St. Louis, Ill.	Portland, Ore.
Houston, Texas	St. Paul, Minn.
Jacksonville, Fla.	Salt Lake City, Utah
Kansas City, Mo.	San Francisco, Cal.
	Seattle, Wash.

SALES OFFICES

In all principal cities in the United States

HERSHEY'S PRODUCTS

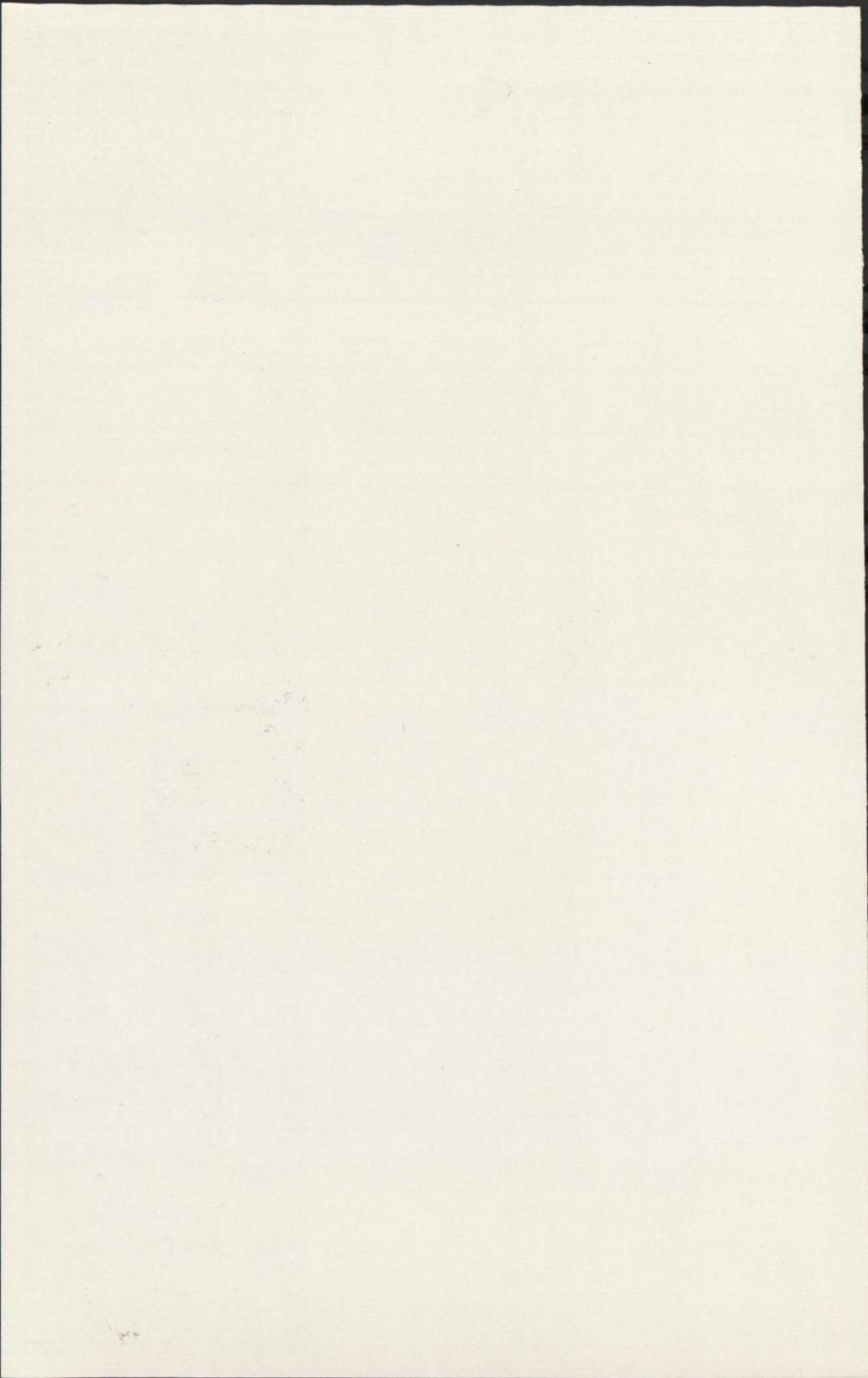
FOR THE CONSUMER

MILK CHOCOLATE BARS	MILK CHOCOLATE KISSES
ALMOND BARS	BAKING CHOCOLATE
SEMI-SWEET BARS	DAINTIES
KRACKEL BARS	BREAKFAST COCOA
MR. GOODBAR	CHOCOLATE SYRUP
MINIATURE BARS	INSTANT COCOA MIX
HERSHEY-ETS	HOT CHOCOLATE POWDER
CHOCOLATE FUDGE TOPPING	

FOR INDUSTRIAL USERS

(Confectionery, Baking, Ice Cream, and other Industries)

CHOCOLATE COATINGS	COCOA POWDER
UNSWEETENED CHOCOLATE	CHOCOLATE SYRUP
COCOA BUTTER	CHOCOLATE FUDGE



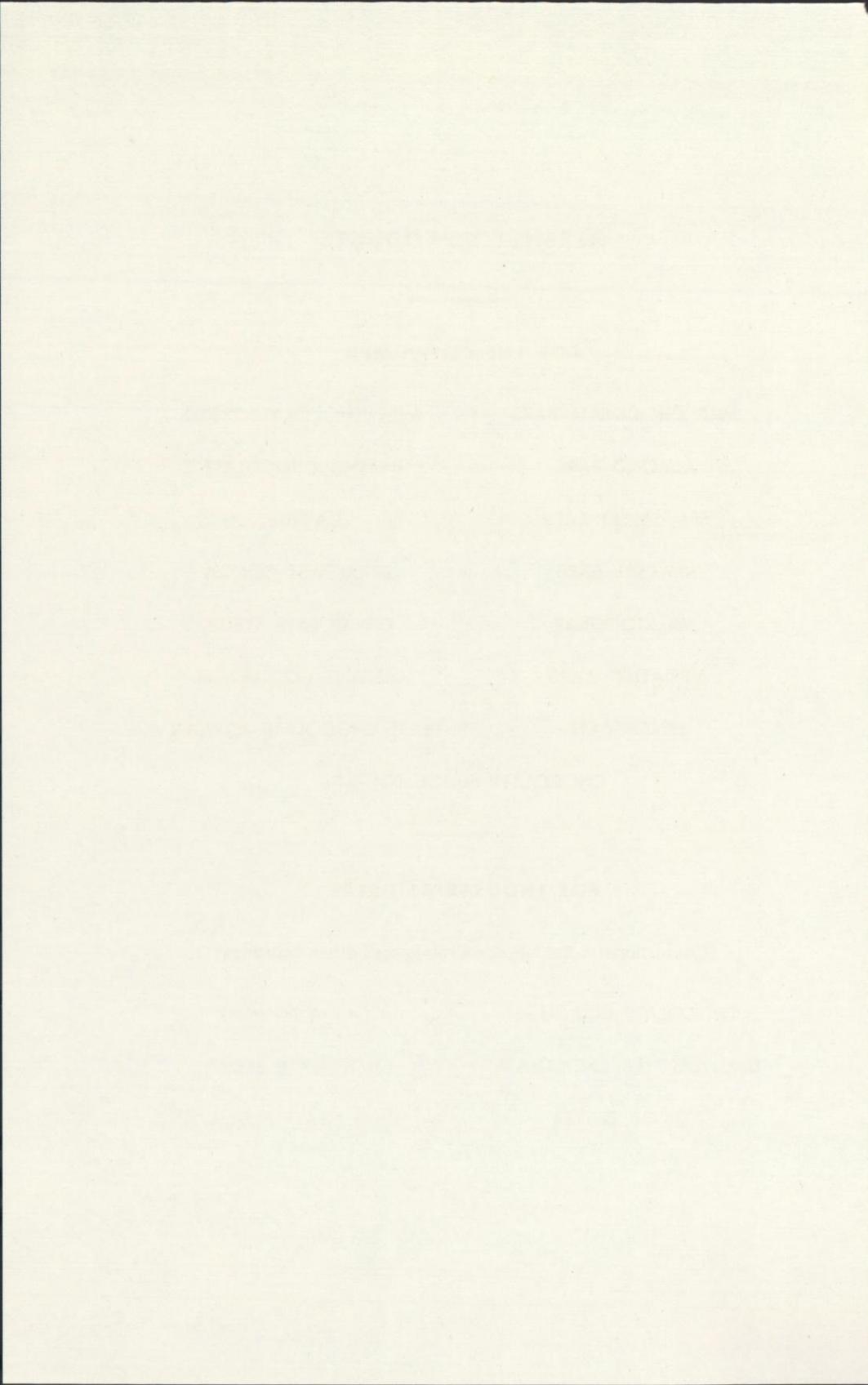
"Here It Is!"

IT'S NEW AND IT'S DELICIOUS...



ANYTIME!

HERSHEY'S INSTANT COCOA MIX
will INCREASE YOUR SALES in the
growing market for CONVENIENTLY





HERSHEY'S QUALITY assures
CONSUMER ACCEPTANCE and
QUICK TURNOVER.

FOR EASY TO MAKE
HOT DRINKS • COLD DRINKS
CHOCOLATE SODAS
FUDGE

PACKED IN ONE POUND AND ONE-HALF POUND SIZES

